

Current Market Outlook

Delayed monsoon and lower arrival has boosted the cotton prices in most of the markets. Currently good demand is being noticed in the market and supply is lagging due to season ending.

CCI invited bids for selling 12800 bales of cotton through E-auction at various states on 18 June 2014. It offered 600 bales of H-4 at Rajasthan, 7000 bales of S-6 at Gujarat, 2300 bales of BB at Maharashtra, 2300 bales of BB at Andhra Pradesh, 300 bales of MECH at Orissa and 300 bales of BB at Karnataka for sale.

According to the Ministry of Agriculture (GOI), area planted under kharif cotton 2014-15 reported up to 1.734 million hectare compared to the 1.58 million hectare in last year.

Cotton acreage in India, the second largest grower in the world, could surge for the first time after 2011, on expectation of higher returns. According to the market participants, cotton area is likely to expand to 12 million hectares in the coming season, noticing a growth of 3.4% compared to the previous year. Global prices which reached a two year high in March are encouraging farmers and other stakeholders to prefer cotton over the other crops. Expectation of El Nino is also a reason farmers are willing to plant cotton instead of other crops which requires more water than fiber crop.

Cotton output in India estimated higher at 388.25 lakh bales (of 170 kg each) for season 2013-14, said Cotton Association of India (CAI). Maharashtra is reported with output of 79.25 lakh bales in the current season compared to 72.50 in previous season whereas production in Gujarat stood 120.80 lakh bales in 2013-14 against 83.30 lakh bales in previous season. What causes the cotton production to increase in India is the boosted yield derived by the favorable weather condition and BT cotton.

In most of the cotton growing region, sowing is in the final phases and in fewer it would last a few more days. According to the farmers, cotton acreage is likely to increase this year as cotton fetches better remuneration than others crops like Paddy and Oilseeds. Besides this, due to availability of improved varieties, cotton cultivation is less associated with weed and pest attacks and it is less labour intensive. Also the threats of El Nino is also doing favors for cotton, as the fibre crop requires the lesser water than paddy and other Kharif crops. The property of cotton to loosen the soil and make it suitable for other crops is also a reason encouraging farmers to grow cotton instead of paddy, which leaves adverse impact on soil.

India is expected to become largest producer of cotton by 2022 says “The Agricultural Outlook, 2013-2022”. As per this recently release report, production of cotton in China is likely to decline by 17% whereas India will increase its production by 25%. The report mentioned above is collaborative effort of Organization of Economic Co-operation and Development (OECD) and Food and Agriculture Organization (FAO) of United Nations (UN).

According to the third advance estimate released by Ministry of Agriculture, cotton output would be around 36.50 million bales (of 170 kg each) in the current season compared to 34.22 million bales previous season.

Domestic Balance Sheet

All figures in Lakh Bales (of 170 Kgs. Each)		
Item	2012-13	2013-14
Supply		
Opening stock (CCI)	40	35
Crop size (DAC)	350	365
Imports (CCI)	14.59	17
Availability	404.59	417
Demand		
Mill consumption (CCI)	250.14	258
Small Mill consumption (CCI)	23.02	24
Non-Mill consumption (CCI)	10	15
Total consumption (USDA)	283.16	297
Export (USDA)	101.43	90
Total Demand	384.59	387

CCI: Cotton Corporation of India

DAC: Department of Agriculture and cooperation (Third Advance Estimates)

USDA : United States Department of Agriculture

Balance Sheet Highlights:

Total availability stood higher this season (Oct'13-Sept'14) due to higher production and imports.

Total consumption during the season is expected higher on increased demand of yarn from overseas and amplified textile and garments exports anticipated for the current season.

Export of cotton (raw) would be on lower side due to the fall in demand from China, the largest importer of cotton.

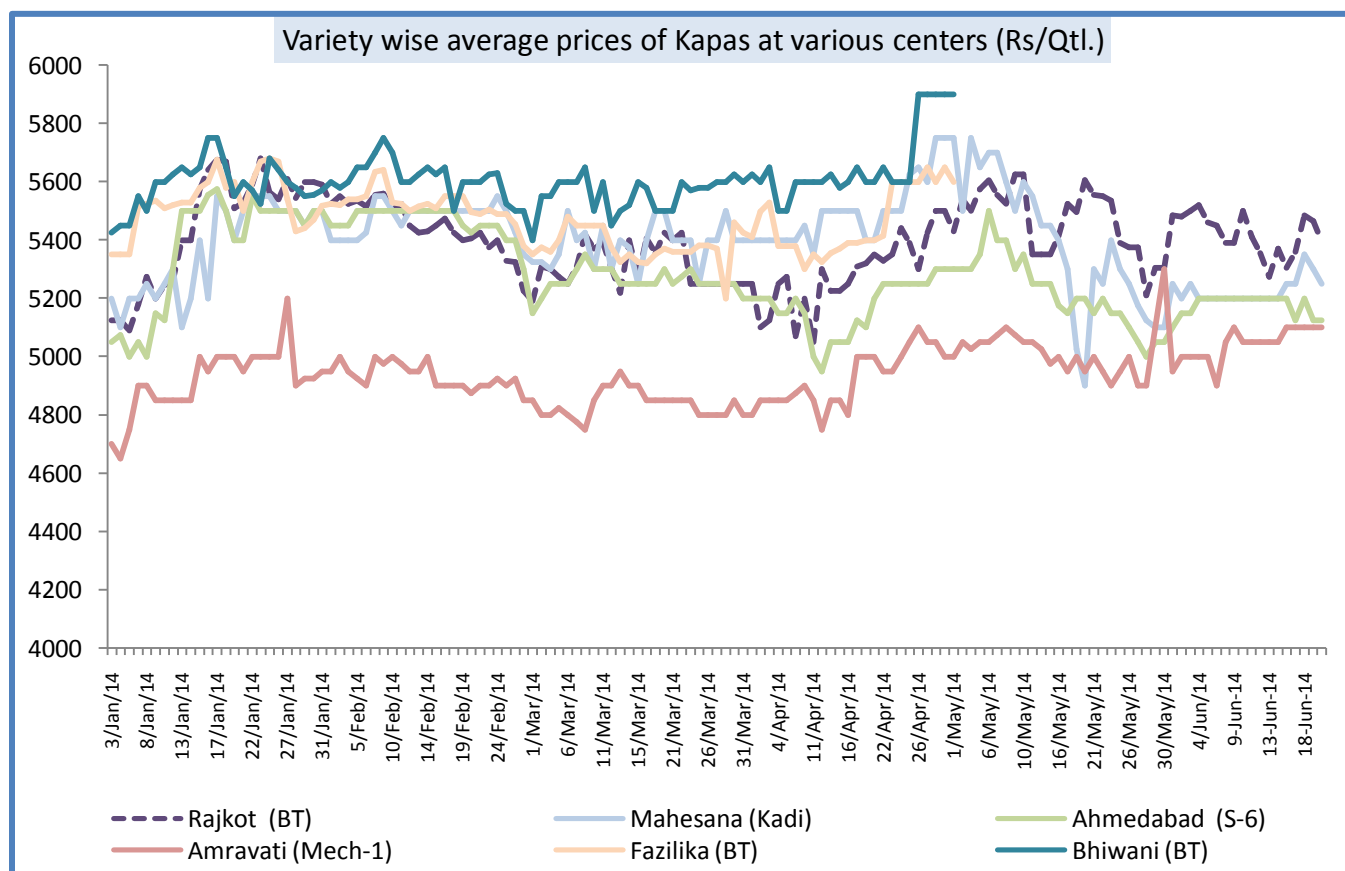
Despite the higher availability and lesser exports ending stocks would be lower this season due to increased domestic consumption.

Cotton Prices and Arrivals

Cotton Prices at Key Spot Market:

Centre	Variety	Prices		% Change
		20-Jun-14	13-Jun-14	
	Kapas	(Rs./Qtl)		
Amravati	Mech-1	5100	5050	0.99
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
	Kapas	(Rs./Qtl.)		
Mahesana(Kadi)	B.T. Cotton	5250	NA	-
Rajkot	B.T. Cotton	5395	5275	2.27
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Muktsar	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	5700	5625	1.33
Dabwali	B.T. Cotton	NA	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
	Kapas	(Rs./Qtl.)		
Ahmedabad	Shankar-6	5125	NA	-
Gondal	Shankar-6	5205	5155	0.96
	Kapas	(Rs/Qtl)		
Bijapur	Bunny	NA	5302	
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	NA	NA	-
	Lint	(Rs./Maund of 37.32kg each)		
Abohar	J-34	4760	4700	1.27
Muktsar	J-34	4775	4695	1.70
Fazilika	J-34	4755	4685	1.49
Bhatinda	J-34	4770	4725	0.95
Mansa	J-34	NA	NA	-
Sirsa	J-34	4665	4615	1.08
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	4680	4630	1.07

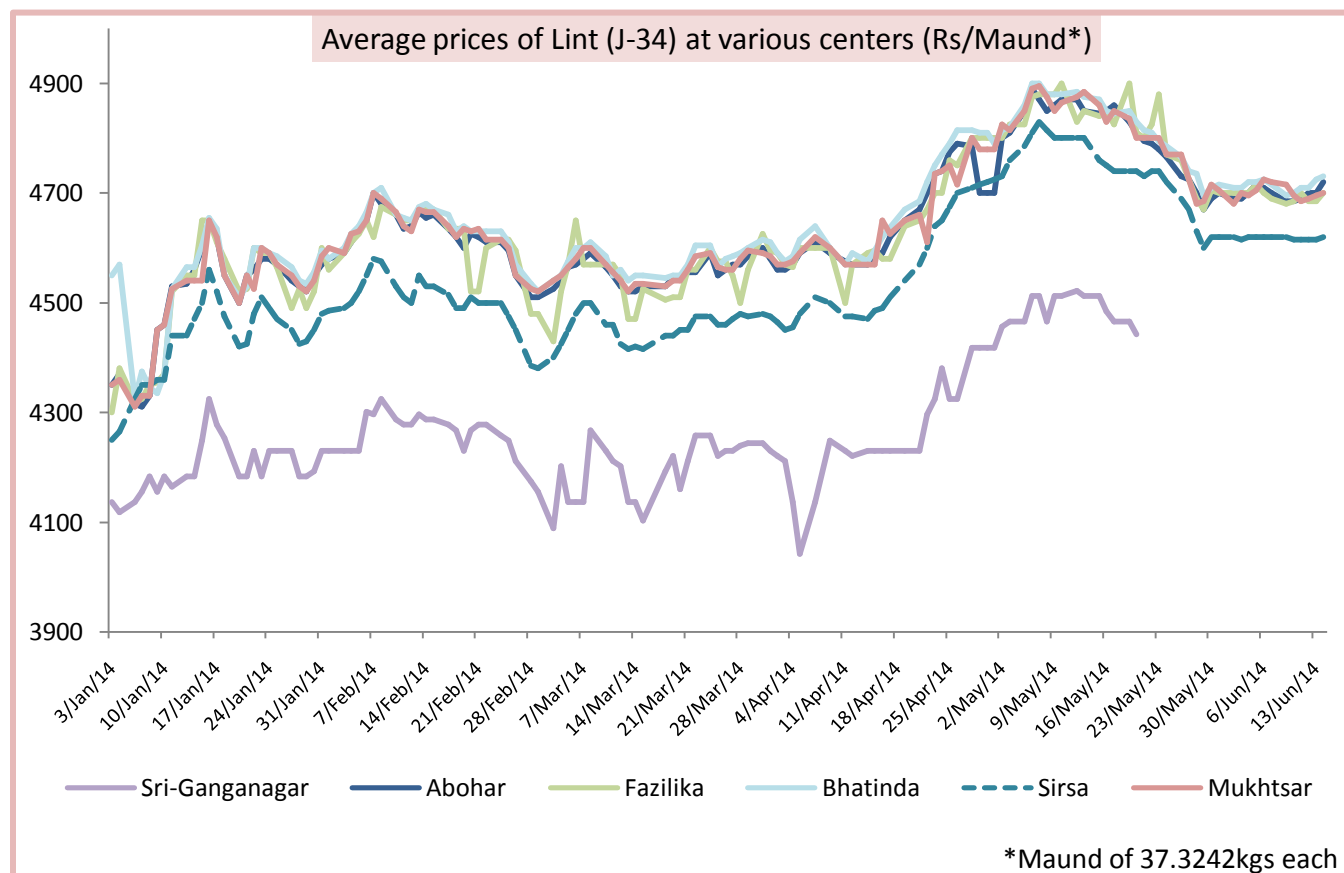
Average Prices of Kapas (Seed Cotton) at Various Centers:



The graph mentioned above is showing mixed movement of kapas in domestic market. Among the mentioned markets, Rajkot is fetching the highest prices. Mahesana noticed a slight correction in the prices and Ahmedabad noticed a slight fall. Amravati witnessed steady trends in prices. No arrivals are reported in Fazilika and Bhiwani currently.

Lower arrival due to season ending and fresh demand has created the supply deficit in the market which would boost the cotton prices in near term.

Average Prices of Lint at Various Centers:



Prices of lint noticed mixed movement with firm biasness during the week on better demand and expectation of higher textile exports from India.

Fazilika, Mukhtsar, Abohar and Bhatinda are fetching highest prices among the mentioned centers. Sirsa is noticing little lower prices.

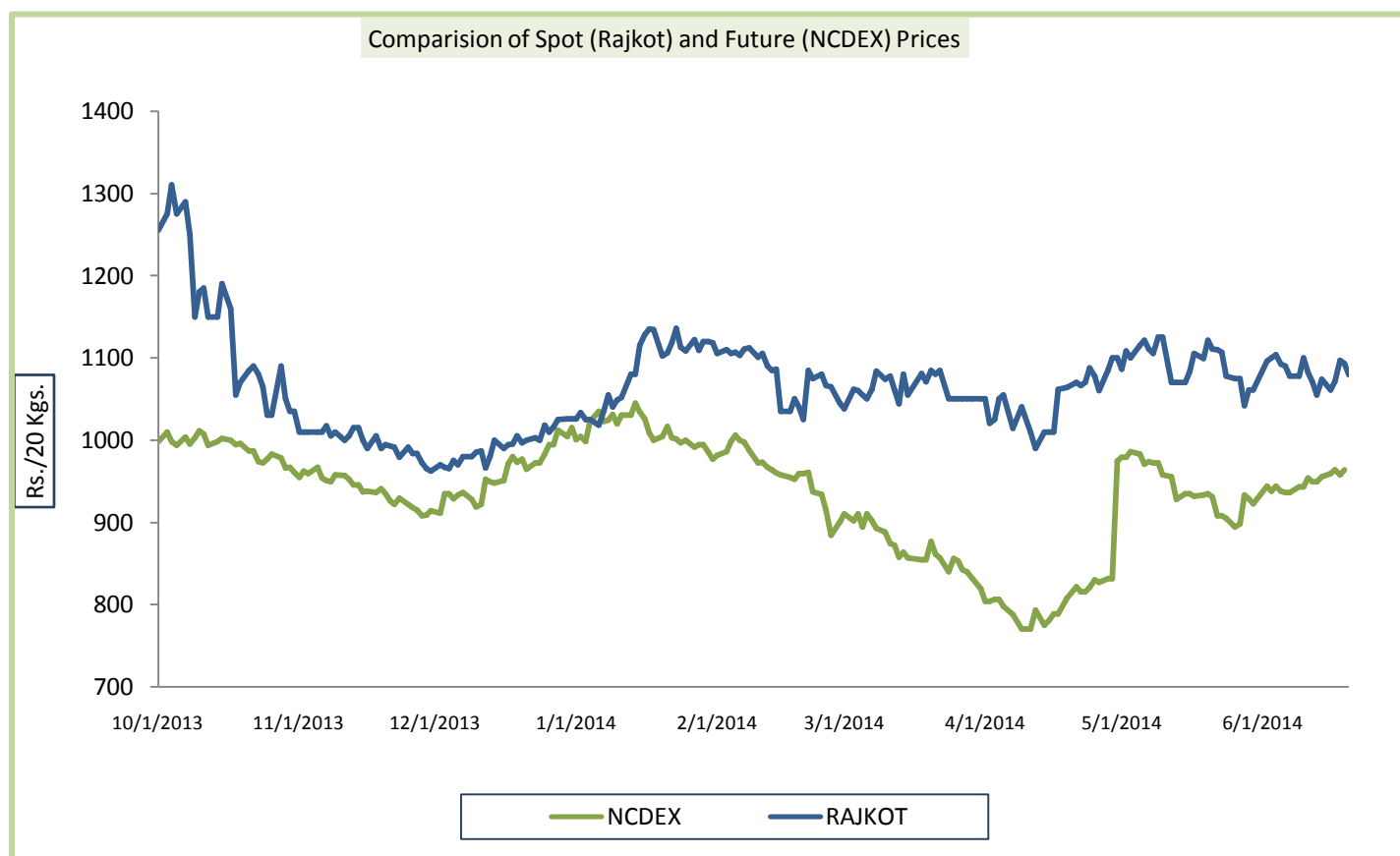
We expect prices to remain firm in coming week amid improved demand.

Cotton Association of India Spot Rates:

Trade Name	Staple	Micronaire	Strength/ GPT	Rs. Per Candy	Rs. Per Candy	% Change
				19-Jun-14	12-Jun-14	
Bengal Deshi (RG)/Assam Comilla (101)	Below 22mm	5.0 - 7.0	15	39900	39900	Unch
Bengal Deshi (SG)(201)	Below 22mm	5.0 - 7.0	15	40400	40400	Unch
J-34(202)	26mm	3.5 - 4.9	23	43400	42900	1.16
H-4/ MECH-1(105)	28mm	3.5 – 4.9	27	40600	39900	1.75

Shankar-6(105)	29mm	3.5 – 4.9	28	42300	41700	1.43
Bunny/ Brahma(105)	31mm	3.5 - 4.9	30	43700	43500	0.45
MCU-5/ Surabhi(106)	32mm	3.3 - 4.9	31	44800	45100	-0.66
DCH-32(107)	34mm	3.0 - 3.8	33	59000	59500	-0.84

Movement of Prices at Spot and Future Market:



Future market noticed firm movement during the week, whereas spot market remained in mixed trend. For the coming days we are expecting prices to remain firm with slightly steady movement.

Cotton Arrivals in Key Centers:

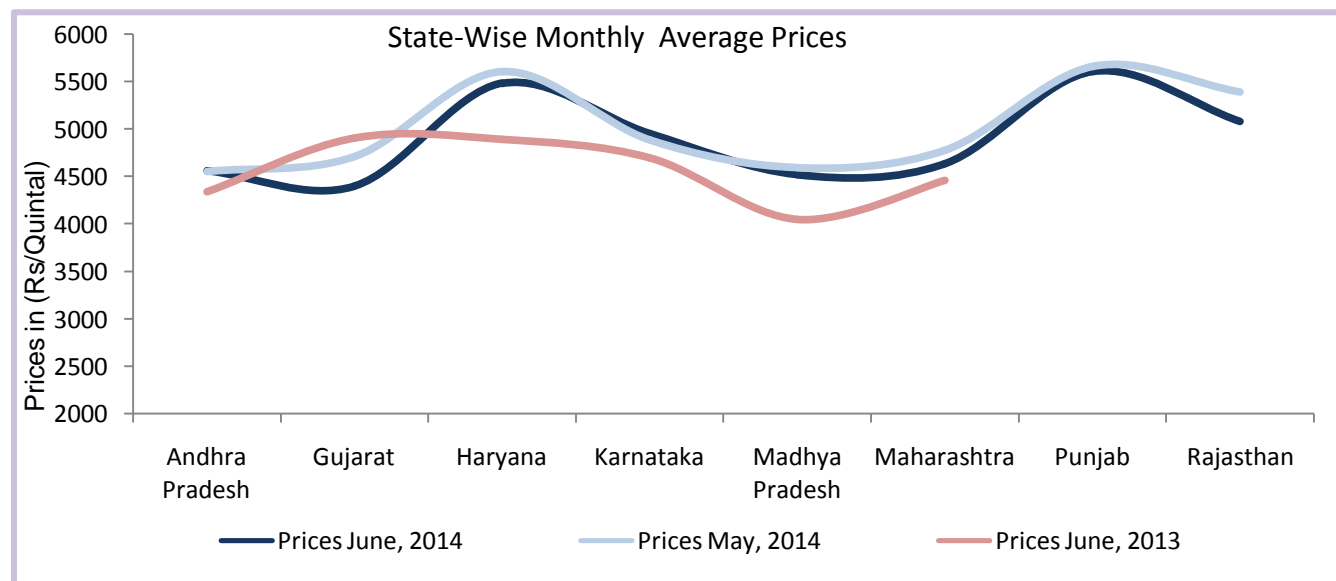
Centre	Variety	Arrivals (Qtl)		Change%
		20-Jun-14	13-Jun-14	
Amravati	Mech-1	98000	34500	184.05
Khandwa	Mech-1	NA	NA	-
Khargaon	Mech-1	NA	NA	-
Mahesana(Kadi)	B.T. Cotton	58500	NA	-
Rajkot	B.T. Cotton	27000	21900	23.28
Patan	B.T. Cotton	NA	NA	-
Deesa	B.T. Cotton	NA	NA	-
Fazilika	B.T. Cotton	NA	NA	-
Bhiwani	B.T. Cotton	NA	NA	-
Adampur	B.T. Cotton	NA	NA	-
Fatehabad	B.T. Cotton	NA	NA	-
Dabwali	B.T. Cotton	NA	NA	-
Jind	B.T. Cotton	NA	NA	-
Uchana (Jind)	B.T. Cotton	NA	NA	-
Rawatsar (Hanumangarh)	B.T. Cotton	NA	NA	-
Hubli	B.T. Cotton	NA	NA	-
Ahmedabad	Shankar-6	127500	25000	410.00
Gondal	Shankar-6	10254	4173	145.72
Bijapur	Bunny	3320	5343	-37.86
Hubli	D.C.H.	NA	NA	-
Raichur	H-44 Cotton	9697	2092	-
Abohar	J-34	NA	NA	-
Muktsar	J-34	NA	NA	-
Bhatinda	J-34	NA	NA	-
Mansa	J-34	NA	NA	-
Sirsa	J-34	595	527	12.90
Sri-Ganganagar	J-34	NA	NA	-
Hanumangarh	B.T. Cotton	NA	NA	-

State wise Scenario

State wise Prices (Rs./Qtl.)

State	Prices June, 2014	Prices May, 2014	Prices June, 2013	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	4563.12	4553.5	4339.05	0.21	5.16
Gujarat	4398.16	4710.72	4907.23	-6.64	-10.37
Haryana	5485.07	5606.48	4894.71	-2.17	12.06
Karnataka	4954.28	4885.06	4699.13	1.42	5.43
Madhya Pradesh	4519.46	4596.61	4047.01	-1.68	11.67
Maharashtra	4635.9	4780.84	4461.27	-3.03	3.91
Punjab	5607.94	5661.37		-0.94	—
Rajasthan	5081.86	5390.38	4759.77	-5.72	6.77
Average	4660.6	4798.39	4427.73		

*Report Generation: As per the data reported by APMCs

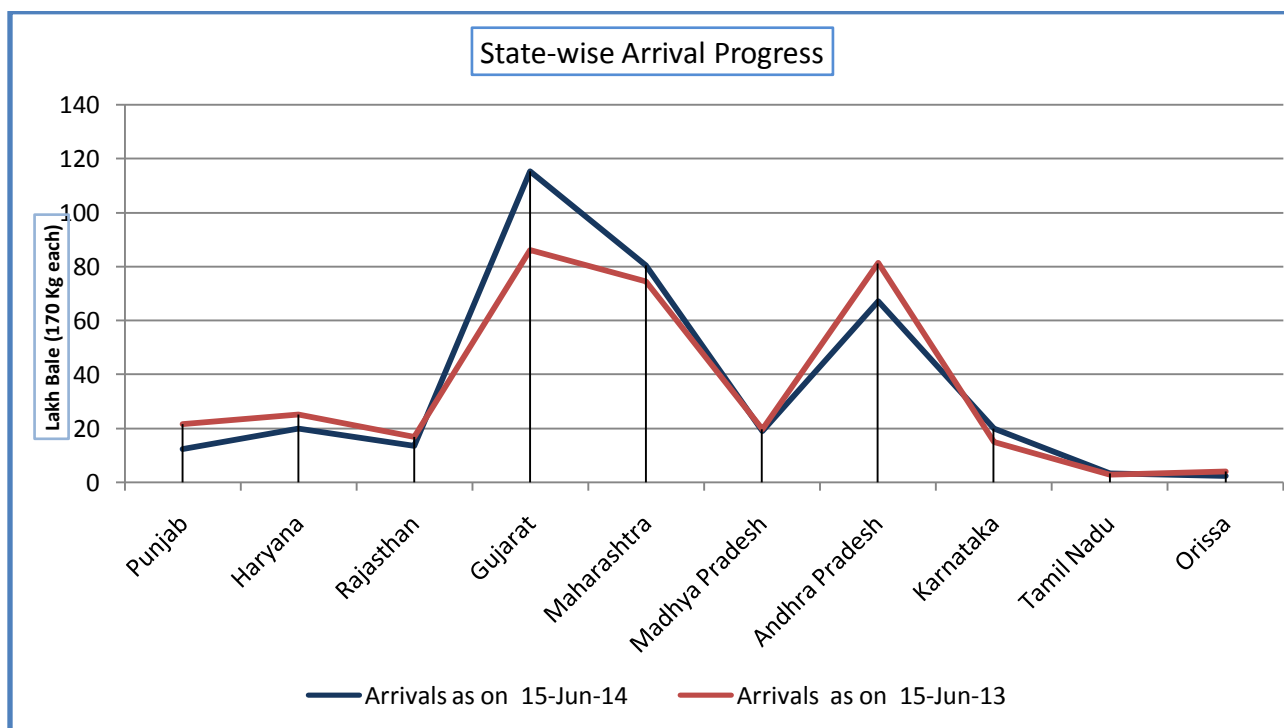


State wise prices this year are mostly higher than the previous year prices. Punjab is fetching the highest prices currently followed by Haryana and Rajasthan. Among the mentioned states Gujarat is recording the lowest prices. Prices are mostly showing downtrend on month on month basis.

State wise Arrivals (in lakh bales of 170 kgs each):

States	2013-14*		2012-13	
	Production as per CAB	Arrivals As on	Production as per CAB	Arrivals As on
	1/11/2013	15-6-2014	1/11/2013	15-6-2013
1. Punjab	21	12.4	21	21.54
2. Haryana	23	19.87	25	25.16
3. Rajasthan	14	13.5	17	17
A. North Total (1+2+3)	58	45.77	63	63.7
4. Gujarat	116	115.41	93	86.13
5. Maharashtra	81	80.48	79	74.54
6. Madhya Pradesh	19	19	19	19.62
B. Central Total (4+5+6)	216	214.89	191	180.29
7. Andhra Pradesh	72	67.12	84	81.29
8. Karnataka	18	19.97	15	14.88
9. Tamil Nadu	5	3.34	6	2.89
C. South Total (7+8+9)	95	90.43	105	99.06
10. Orissa	4	2.31	4	4.17
11. Others	2	1.96	2	2
D. Total (10+11)	6	4.27	6	6.17
Grand Total (A+B+C+D)	375	355.36	365	349.22

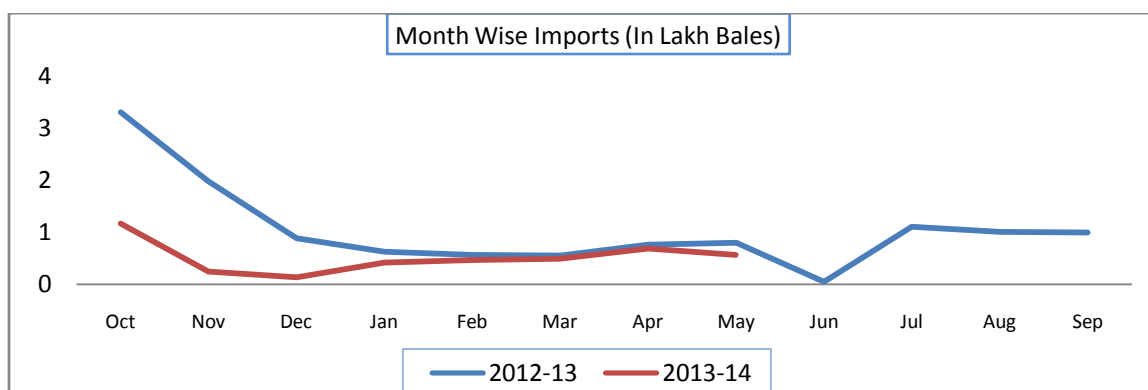
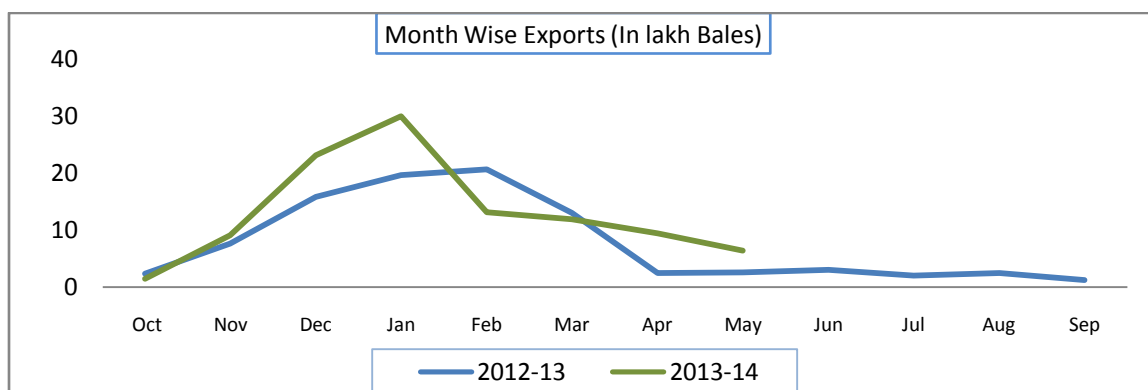
* Inclusive of new crop arrivals in September 2013
**Source: Cotton Corporation of India



Cotton Export and Import

Cotton Exports(In Lakh Bales)		
Month	2012-13	2013-14
Oct	2.29	1.43
Nov	7.68	9.06
Dec	15.83	23.12
Jan	19.71	30
Feb	20.67	13.15
Mar	13.07	11.9
Apr	2.5	9.46
May	2.58	6.37
Jun	3.01	
Jul	2.06	
Aug	2.5	
Sep	1.22	
Total	93.12	104.5

Cotton Imports(In Lakh Bales)		
Month	2012-13	2013-14
Oct	3.3	1.16
Nov	1.98	0.24
Dec	0.88	0.133
Jan	0.63	0.41
Feb	0.56	0.46
Mar	0.55	0.488
Apr	0.76	0.68
May	0.8	0.56
Jun	0.05	
Jul	1.1	
Aug	1.01	
Sep	0.99	
Total	12.61	4.13

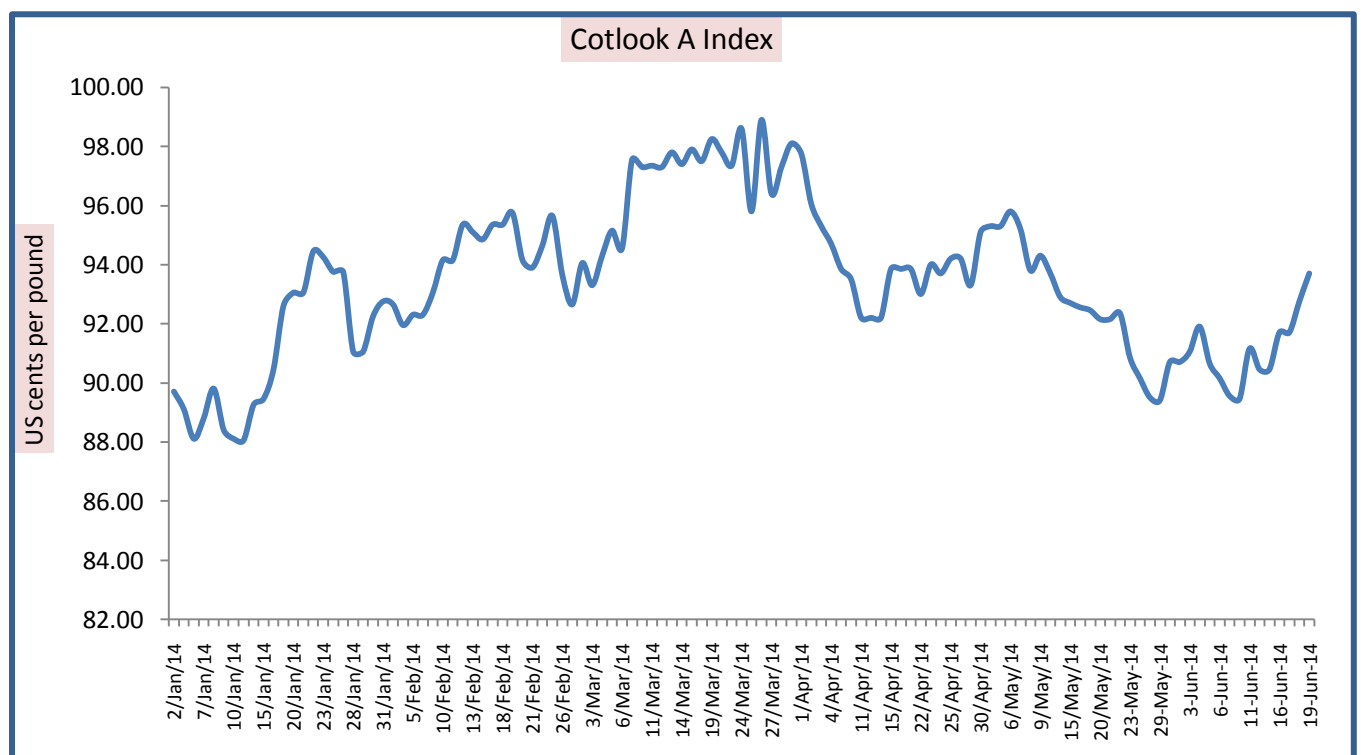


International Market Scenario

Due to rain in Texas, the largest cotton growing region of USA, the price of cotton plummet down as the state raises the prospects of higher production on widespread precipitation. The most active December contract hit about a 3 month low of US cents 76.50 last week following a government report forecasting that US cotton stock will hit a 6 year high of 4.3 million bales (of 480 pound each) and world stock would rise to the level of 102.7 million bales by the end of season 2014-15.

According to the latest survey report released by China Cotton Association (CCA), planting area of cotton in the country is expected to fall by 12.6 percent on year on year basis to 4.08 million hectares in 2014.

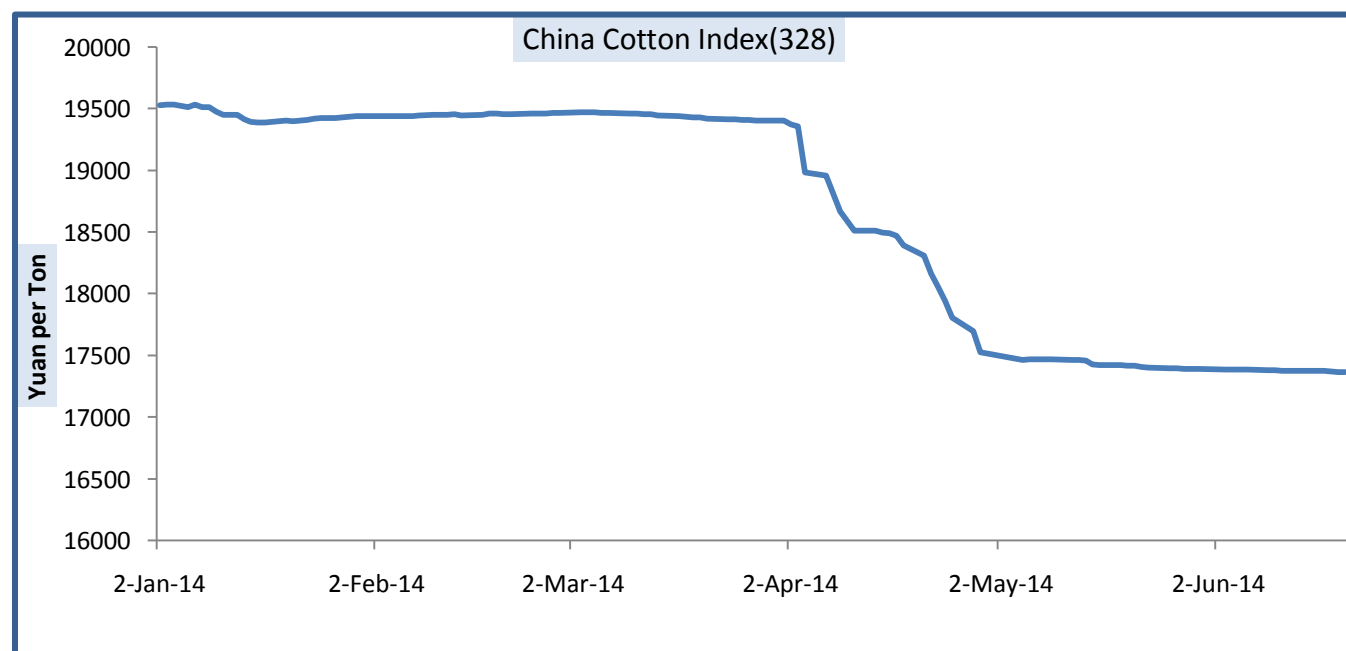
Cotton imports to China fell by 14.6% to 191,500 metric tons in May compared to April this year. China is likely to end its cotton stockpiling policy and hence importing less.



International Prices and Indices

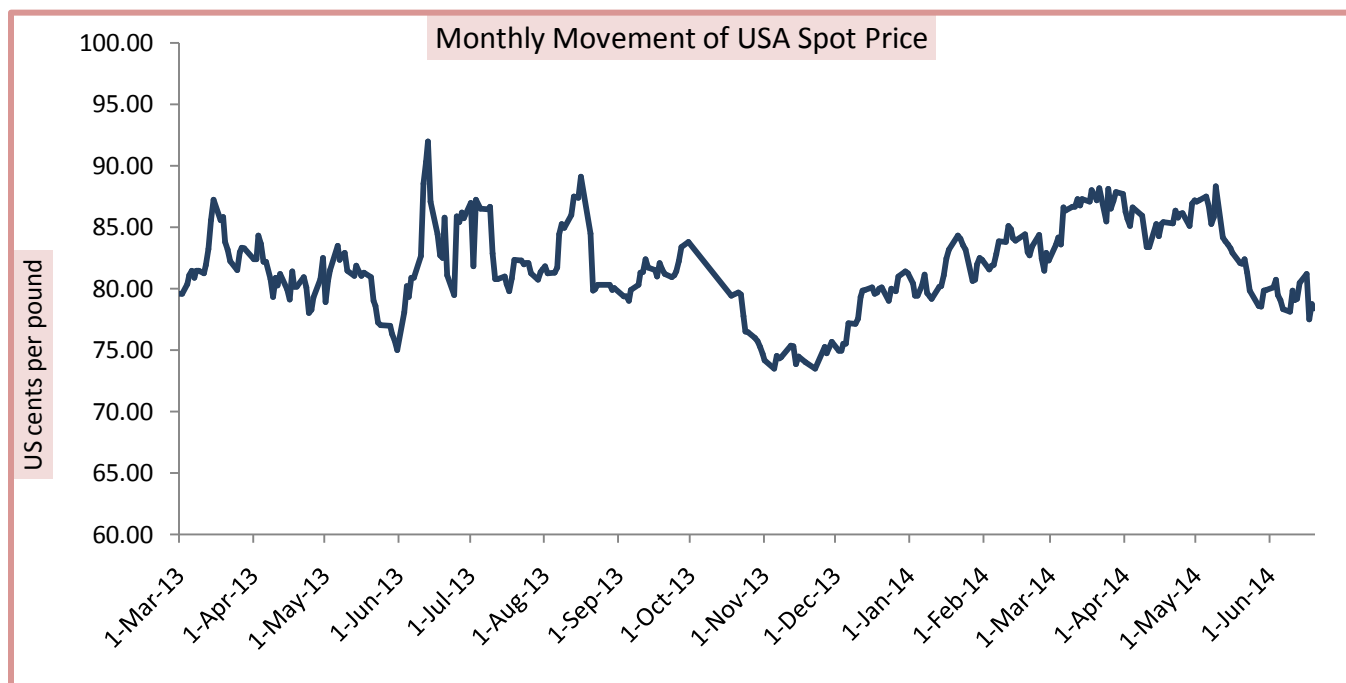
China Cotton Index:

CCI Indices	20/6/2014	13/6/2014	% Change
CCIndex(229)	18139	18153	-0.08
CCIndex(328)	17368	17377	-0.05
CCIndex(527)	16186	16193	-0.04
Prices in Yuan per Ton			



USA Spot Prices:

Date	19/Jun/14	13/Jun/14	% Change
Prices	78.4	80.5	-2.60
Prices in US cents per Pound			


World Monthly Average Cotlook A Index (FE) in US cents per Pound:

Month	2012-13	2013-14	Y-o-Y % Change
August	84.4	92.71	9.85
September	84.15	94.6	12.42
October	82.17	89.35	8.74
November	80.87	84.65	4.67
December	83.37	87.49	4.94
January	85.51	90.96	6.37
February	89.71	94.05	4.84
March	94.45	96.94	2.64
April	94.94	94.2	-0.78
May	94.92	92.7	-2.34
June	93.35		
July	92.62		

World Monthly Average Cotlook A Index (FE) in US cents per Pound:

Contracts	20/06/2014	20/05/2014	20/06/2013	% Month Change	% Y-o-Y Change
Jul-14	88.16	89.00	84.66	-0.94	4.13
Oct-14	77.49	81.54	--	-4.97	--
Dec-14	77.08	81.92	--	-5.91	--
Mar-15	78.15	81.39	--	-3.98	--
May-15	78.99	81.72	--	-3.34	--
Jul-15	79.6	81.93	--	-2.84	--

Source: MRCI, Figures in US Cents Per Pound

Cotton Futures

Technical Analysis of Cotton Future (April'15 Contract) at NCDEX:



Weekly Technical Outlook:

- Candlestick denotes bullish sentiments in the market.
- RSI is heading towards overbought region supporting firm tone.
- Prices closed above the EMA (9, 18 days) depicting bullish move in near term
- We expect prices to be firm.

Expected Price Range During Coming Week.

Expected Trend	Expected Trading Band
Bullish Momentum	945-985

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
930	915	993	1000

Figures in Rs. per 20Kgs.

Technical Analysis of Cotton Future (Jul'14 Contract) at ICE

Weekly Technical Outlook:

- Candlestick denotes range bound movements in the market.
- Simultaneous decline in open Interest and volume depicts recovery in near term.
- We expect prices to remain in range with firm biasness.

Expected Price Range During Coming Week

Expected Trend	Expected Trading Band
Range bound to Firm Biasness	84.40-92.00

Expected Support and Resistance

Support 1	Support 2	Resistance 1	Resistance 2
84.00	83.40	92.60	93.00

Figures in US cents per pound

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